

# Online Outsourcing Isn't Ominous

The internet gives us the ability to increase human productivity.

By **Korok Ray** Opinion Contributor

Sept. 5, 2017, at 3:15 p.m.

Harness human capital.  (TOM MERTON/GETTY STOCK IMAGES)

---

**SINCE WORLD WAR II**, trade has become almost global, and humans have been improving technology at such a rate that today, some fear that we will improve ourselves out of the workforce entirely.

Fears formerly found in sci-fi magazines are now commonplace: When robots inevitably rule the earth, artificial intelligence will be so advanced that only a sliver of engineers will control the machines (and along with them, the wealth). Luckily, this scary narrative is at odds with the historical evolution of technology, once one factors in some basic economics.

In the past, outsourcing has been good for individuals, and the third and newest variety – online outsourcing – is proving no different.

Technology has always led to shifts in the labor market, and these shifts tend to result in increased human productivity. The invention of the airplane did not replace driving, but allowed humans to travel widely and live in faraway destinations, creating

cities and societies that would not have existed before. Similarly, the evolution of the internet will not end in robots eliminating all jobs, but rather will provide humans with different jobs, and new tools and technology to increase productivity.

The first wave of outsourcing was offshoring in the 1960s and 70s, when manufacturing jobs were moved overseas. Some studies find that U.S. parent companies used more, not less, labor as outsourcing increased. This is consistent with the logic that outsourcing reduces costs for companies, freeing up resources for capital investment elsewhere. These investments allowed firms to hire more labor in new areas.

The second wave came in the late 90s and early 2000s, when companies riding the first internet bubble outsourced their back-office work to call centers in India. Yet according to the Bureau of Economic Analysis, U.S. trade in business professional and technical services has risen since 1997, and employment in U.S. foreign affiliates has risen since 1988.

### Save Jobs, Address Automation

Both of these are measuring large increases in the level of outsourced jobs in the service sector and confirm that traditional outsourcing of services is increasing. Again, outsourcing expanded.

The third wave of outsourcing, online outsourcing, is happening now. In October of 2015, more than 53 million Americans were earning income from work other than the traditional nine-to-five job.

Using Amazon Mechanical Turk, Upwork or any one of hundreds of other platforms, you can make money with only a computer and an internet connection. These online gigs can be as simple as 2 cents in exchange for transcribing the text on a picture of a receipt, or \$200 an hour for advanced graphic design work.

Online outsourcing differs from its predecessors in three ways. First, in many ways, the internet means the age of the middle man is over. Even as buyers and sellers are geographically further apart, they are connected more closely than ever.

Second, the rise of global internet connectivity makes this wave of outsourcing the most beneficial to impoverished workers. In the coming years, billions of people will be coming online. The worldwide distribution of income suggests that these new users will contribute labor, rather than capital, to the global economy.

Given their low incomes, they are unlikely be large-scale consumers and, therefore, are not the usual audience for Facebook or Google advertisements. New companies will form to harness the human capital they provide to the global market. Bringing human capital online will be among the largest economic transformations the world has seen.

### Robots Are Coming

Third, this wave of outsourcing brings with it a shift from input-based pay to output-based pay. Input-based pay describes what we're used to: physical, face to face employment. Workers are paid a salary with possibly some discretionary bonuses. Output-based pay refers to paying on the performance of the worker. This can take the form of stock options for a CEO, or a piece rate for every unit produced for a factory worker.

The distributed environment of the internet makes it a natural candidate for output-based pay. This will lead to significant gains in worker efficiency.

As Outsourcing 3.0 expands, work will occur primarily over the internet. Technology platforms will allow buyers and sellers to contract for work through dynamic and continuous auctions. Fewer corporations will hire full-time employees at home who conduct all tasks themselves. Instead, these employees will interface with a global network of workers available on-demand.

This third wave of outsourcing will open up new worlds of productivity, expand economic opportunity across the globe and change the nature of work.

Some view these trends as inevitable and outside of anyone's control. But just as entrepreneurs make choices, so do venture capitalists, governments and civil society as a whole. We can choose to develop only machine technology, ignoring human productivity or we can think more holistically about the global mix of skill, education, demographics and interconnectedness. To advance human potential, we must harness the most valuable asset in the world: our human capital.

---

**Korok Ray, Opinion Contributor**

[Korok Ray](#) is an economist at Texas A&M University and author of the upcoming Mercatus Center at... [READ MORE »](#)

**Tags:** international trade, global economy, technology, internet, labor, employment, outsourcing

---

**RECOMMENDED**

<b>Cartoons on President Donald Trump</b>	
---	--

<b>Political Cartoons on the Economy</b>	
--	--

<b>Don't Blame Video Games</b>	
--------------------------------	--

<b>The Medicaid Freeloader Fallacy</b>	
--	--

<b>Now We're Talking</b>	
--------------------------	--

<b>Daily Cartoons: March 8, 2018</b>	
--------------------------------------	--

<b>Wave? What Wave?</b>	
-------------------------	--